

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

PLAINS AREA MENTAL HEALTH, INC
LE MARS, IOWA
JUNE 30, 2020

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PLAINS AREA MENTAL HEALTH, INC
LE MARS, IOWA
JUNE 30, 2020

BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jeffrey Hayes	Chair	September 2020
Bill Anderson	Vice-Chair	October 2021
Daryl Friedenbach	Treasurer	September 2022
Jan Brown	Secretary	November 2021
Zena Olerich	Member	September 2022
Sharon Arndt-Nelson	Member	September 2022
Leah Fineran	Member	September 2022
Andrew Quandt	Member	March 2023
Kim Keleher	President / Chief Executive Officer	Indefinite

COUNTY BOARD LIAISONS

Dennis Bush	Cherokee County Supervisor
Don Kass	Plymouth County Supervisor
Paul Merten	Buena Vista County Supervisor
Creston Schubert	Ida County Supervisor

BURKHARDT & DAWSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Plains Area Mental Health, Inc.

We have audited the accompanying financial statements of Plains Area Mental Health, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

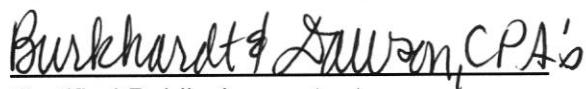
Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Fees and Grants from Governmental Agencies on page 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plains Area Mental Health, Inc.'s internal control over financial reporting and compliance.

BURKHARDT & DAWSON, CPA's



Certified Public Accountants

Cherokee, Iowa
October 22, 2020

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020		
	General	Land, Building and Equipment	Total
	Fund		
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 1,641,839	\$ -	\$ 1,641,839
Accounts Receivable (Net of Allowances for Doubtful Accounts and Rate Adjustments of \$426,100 and \$261,200, Respectively)	936,800	-	936,800
Other Receivables	54,965	-	54,965
Grant Receivables	97,468	-	97,468
Prepaid Expenses	3,884	-	3,884
TOTAL CURRENT ASSETS	<u>\$ 2,734,956</u>	<u>\$ -</u>	<u>\$ 2,734,956</u>
PROPERTY AND EQUIPMENT:			
Land	\$ -	\$ 37,500	\$ 37,500
Buildings and Improvements	-	715,844	715,844
Equipment and Furniture	-	1,314,588	1,314,588
Leasehold Improvements	-	69,428	69,428
TOTAL	\$ -	\$ 2,137,360	\$ 2,137,360
LESS - Accumulated Depreciation	-	(788,956)	(788,956)
NET PROPERTY AND EQUIPMENT	<u>\$ -</u>	<u>\$ 1,348,404</u>	<u>\$ 1,348,404</u>
OTHER ASSETS:			
Prepaid Security Deposit	\$ 4,600	\$ -	\$ 4,600
Investments	4,154	-	4,154
TOTAL OTHER ASSETS	<u>\$ 8,754</u>	<u>\$ -</u>	<u>\$ 8,754</u>
TOTAL ASSETS	<u>\$ 2,743,710</u>	<u>\$ 1,348,404</u>	<u>\$ 4,092,114</u>

See accompanying notes to financial statements

2019		
General Fund	Land, Building and Equipment	Total
\$ 876,333	\$ -	\$ 876,333
656,426	-	656,426
149,238	-	149,238
49,281	-	49,281
28,467	-	28,467
<u>\$ 1,759,745</u>	<u>\$ -</u>	<u>\$ 1,759,745</u>
\$ -	\$ 37,500	\$ 37,500
-	671,893	671,893
-	883,647	883,647
-	66,180	66,180
<u>\$ -</u>	<u>\$ 1,659,220</u>	<u>\$ 1,659,220</u>
-	(654,705)	(654,705)
<u>\$ -</u>	<u>\$ 1,004,515</u>	<u>\$ 1,004,515</u>
\$ 4,600	\$ -	\$ 4,600
5,792	-	5,792
<u>\$ 10,392</u>	<u>\$ -</u>	<u>\$ 10,392</u>
<u>\$ 1,770,137</u>	<u>\$ 1,004,515</u>	<u>\$ 2,774,652</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020		
	General	Land, Building and	Total
	Fund	Equipment	
CURRENT LIABILITIES:			
Accounts Payable	\$ 176,524	\$ -	\$ 176,524
Accounts Payable - Regions	38,869	-	38,869
Deferred Revenue	210,429	-	210,429
Accrued Salaries	502,945	-	502,945
Payroll Taxes Payable	39,702	-	39,702
Accrued Pension Payable	7,700	-	7,700
Customer Deposits	11,288	-	11,288
Current Maturities of Long Term Debt	521,860	64,593	586,453
TOTAL CURRENT LIABILITIES	<u>\$ 1,509,317</u>	<u>\$ 64,593</u>	<u>\$ 1,573,910</u>
LONG TERM DEBT:			
Notes Payable	\$ 1,182,200	\$ 348,975	\$ 1,531,175
LESS - Current Maturities	<u>(521,860)</u>	<u>(64,593)</u>	<u>(586,453)</u>
TOTAL LONG TERM DEBT	<u>\$ 660,340</u>	<u>\$ 284,382</u>	<u>\$ 944,722</u>
TOTAL LIABILITIES	<u>\$ 2,169,657</u>	<u>\$ 348,975</u>	<u>\$ 2,518,632</u>
NET ASSETS:			
Net Assets Without Donor Restrictions:			
Available for Operations	\$ 574,053	\$ 999,429	\$ 1,573,482
TOTAL NET ASSETS	<u>\$ 574,053</u>	<u>\$ 999,429</u>	<u>\$ 1,573,482</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,743,710</u>	<u>\$ 1,348,404</u>	<u>\$ 4,092,114</u>

See accompanying notes to financial statements

2019		
General	Land, Building and	
Fund	Equipment	Total
\$ 49,500	\$ -	\$ 49,500
117,686	-	117,686
-	-	-
371,083	-	371,083
29,210	-	29,210
5,661	-	5,661
15,170	-	15,170
-	30,253	30,253
<u>\$ 588,310</u>	<u>\$ 30,253</u>	<u>\$ 618,563</u>
\$ -	\$ 275,616	\$ 275,616
-	(30,253)	(30,253)
<u>\$ -</u>	<u>\$ 245,363</u>	<u>\$ 245,363</u>
<u>\$ 588,310</u>	<u>\$ 275,616</u>	<u>\$ 863,926</u>
<u>\$ 1,181,827</u>	<u>\$ 728,899</u>	<u>\$ 1,910,726</u>
<u>\$ 1,181,827</u>	<u>\$ 728,899</u>	<u>\$ 1,910,726</u>
<u>\$ 1,770,137</u>	<u>\$ 1,004,515</u>	<u>\$ 2,774,652</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	General	Land, Building and	Total
	Fund	Equipment	
PUBLIC SUPPORT AND REVENUES:			
Public Support:			
Contributions	\$ 3,714	\$ -	\$ 3,714
Fees and Grants from Governmental Agencies	2,091,086	-	2,091,086
Outpatient and Community Services	6,493,568	-	6,493,568
Consultant Fees	86,376	-	86,376
Revenues:			
Rental Income	49,083	-	49,083
Investment/Dividend Income	7,422	-	7,422
Recovery of Bad Debts	13,496	-	13,496
Miscellaneous Income	23,475	-	23,475
(Loss) on Disposal of Equipment	-	-	-
Unrealized Gain (Loss) on Investments	(1,638)	-	(1,638)
TOTAL PUBLIC SUPPORT AND REVENUES	<u>\$ 8,766,582</u>	<u>\$ -</u>	<u>\$ 8,766,582</u>
EXPENSES:			
Program Services:			
Outpatient and Community Support Services	\$ 6,887,631	\$ -	\$ 6,887,631
Supporting Services:			
Management and General	<u>2,081,944</u>	<u>134,251</u>	<u>2,216,195</u>
TOTAL EXPENSES	<u>\$ 8,969,575</u>	<u>\$ 134,251</u>	<u>\$ 9,103,826</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE ACQUISITIONS	<u>\$ (202,993)</u>	<u>\$ (134,251)</u>	<u>\$ (337,244)</u>
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Property and Equipment Acquisitions	\$ (478,140)	\$ 478,140	\$ -
Notes Given Less Payments Made	<u>73,359</u>	<u>(73,359)</u>	<u>-</u>
TOTAL OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (404,781)</u>	<u>\$ 404,781</u>	<u>\$ -</u>
TOTAL CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (607,774)</u>	<u>\$ 270,530</u>	<u>\$ (337,244)</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,181,827</u>	<u>728,899</u>	<u>1,910,726</u>
NET ASSETS - END OF YEAR	<u>\$ 574,053</u>	<u>\$ 999,429</u>	<u>\$ 1,573,482</u>

See accompanying notes to financial statements

2019		
General Fund	Land, Building and Equipment	Total
\$ 48,364	\$ -	\$ 48,364
1,643,880	-	1,643,880
6,268,058	-	6,268,058
-	-	-
48,338	-	48,338
3,857	-	3,857
13,756	-	13,756
9,260	-	9,260
-	(13,191)	(13,191)
495	-	495
<u>\$ 8,036,008</u>	<u>\$ (13,191)</u>	<u>\$ 8,022,817</u>
\$ 6,010,117	\$ -	\$ 6,010,117
<u>1,728,544</u>	<u>123,487</u>	<u>1,852,031</u>
<u>\$ 7,738,661</u>	<u>\$ 123,487</u>	<u>\$ 7,862,148</u>
<u>\$ 297,347</u>	<u>\$ (136,678)</u>	<u>\$ 160,669</u>
\$ (107,814)	\$ 107,814	\$ -
<u>31,113</u>	<u>(31,113)</u>	<u>-</u>
<u>\$ (76,701)</u>	<u>\$ 76,701</u>	<u>\$ -</u>
\$ 220,646	\$ (59,977)	\$ 160,669
<u>961,181</u>	<u>788,876</u>	<u>1,750,057</u>
<u>\$ 1,181,827</u>	<u>\$ 728,899</u>	<u>\$ 1,910,726</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		
	Program Services	Supporting Services	
	Outpatient and Community Support Services	Management and General	Total
Salaries and Wages	\$ 4,634,418	\$ 1,158,604	\$ 5,793,022
Employee Benefits and Payroll Taxes	1,000,274	250,068	1,250,342
Employee Travel and Transportation	122,577	-	122,577
TOTAL SALARIES AND RELATED EXPENSES	\$ 5,757,269	\$ 1,408,672	\$ 7,165,941
Contracted Services	138,463	4,312	142,775
Professional Development	25,619	519	26,138
Supplies, Books and Literature	63,448	1,705	65,153
Telephone	96,529	-	96,529
Postage	21,195	-	21,195
Repairs and Maintenance	1,981	70,736	72,717
Rent	-	253,854	253,854
Conferences, Conventions and Meetings	4,947	14,350	19,297
Membership Dues and Subscriptions	4,294	92,854	97,148
Insurance	20,777	33,898	54,675
Advertising and Recruitment	68,049	27,929	95,978
Professional Services:			
Accounting and Legal	-	26,129	26,129
IT Services	221,869	36,118	257,987
Outsourced Payroll Services	174,781	43,695	218,476
Other Services	63,607	10,355	73,962
Bad Debts	218,288	-	218,288
Utilities	-	43,398	43,398
Interest	-	13,171	13,171
Miscellaneous	6,515	249	6,764
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 6,887,631	\$ 2,081,944	\$ 8,969,575
Depreciation	-	134,251	134,251
TOTAL EXPENSES	\$ 6,887,631	\$ 2,216,195	\$ 9,103,826

See accompanying notes to financial statements

2019		
Program Services	Supporting Services	
Outpatient and Community Support Services	Management and General	Total
\$ 3,771,505	\$ 942,876	\$ 4,714,381
834,468	208,617	1,043,085
148,824	-	148,824
\$ 4,754,797	\$ 1,151,493	\$ 5,906,290
348,811	16,782	365,593
21,912	439	22,351
65,992	1,273	67,265
85,326	-	85,326
11,858	-	11,858
2,649	72,279	74,928
-	206,993	206,993
8,954	11,478	20,432
8,644	74,031	82,675
19,502	31,820	51,322
85,599	4,467	90,066
-	22,993	22,993
172,345	28,056	200,401
144,102	36,026	180,128
80,983	13,183	94,166
188,719	-	188,719
-	42,126	42,126
-	14,573	14,573
9,924	532	10,456
\$ 6,010,117	\$ 1,728,544	\$ 7,738,661
-	123,487	123,487
<u>\$ 6,010,117</u>	<u>\$ 1,852,031</u>	<u>\$ 7,862,148</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets from Operations	\$ (337,244)	\$ 160,669
Adjustments to Reconcile Changes in Net Assets from Operations to		
Net Cash Provided by Operating Activities:		
Depreciation	134,251	123,487
Loss on Disposal of Equipment	-	13,191
Unrealized (Gain) Loss on Investments	1,638	(495)
(Increase) Decrease in:		
Accounts Receivable	(280,374)	(46,710)
Other Receivables	94,273	90,626
Grant Receivables	(48,187)	(14,306)
Prepaid Expenses	24,583	(4,117)
Increase (Decrease) in:		
Accounts Payable	127,024	(30,295)
Accounts Payable - Regions	(78,817)	117,686
Deferred Revenue	210,429	-
Accrued Salaries	131,862	(6,724)
Payroll Taxes Payable	10,492	(316)
Accrued Pension Payable	2,039	3,273
Customer Deposits	(3,882)	(17,284)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (11,913)</u>	<u>\$ 388,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	\$ (364,382)	\$ (48,114)
Proceeds From Sale of Equipment	-	300
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (364,382)</u>	<u>\$ (47,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Note Proceeds - Long Term	\$ 1,182,200	\$ -
Note Repayments - Long Term	(40,399)	(28,887)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ 1,141,801</u>	<u>\$ (28,887)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 765,506	\$ 311,984
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>876,333</u>	<u>564,349</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,641,839</u>	<u>\$ 876,333</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest Paid	<u>\$ 13,171</u>	<u>\$ 14,573</u>
NONCASH INVESTING TRANSACTIONS:		
Cost of Property and Equipment	\$ 478,140	\$ 108,114
LESS - Loans Given	<u>(113,758)</u>	<u>(60,000)</u>
Cash Paid for Property and Equipment	<u>\$ 364,382</u>	<u>\$ 48,114</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY – Plains Area Mental Health, Inc. is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Buena Vista, Calhoun, Carroll, Cherokee, Crawford, Dickinson, Greene, Ida, Monona, Palo Alto, Plymouth, Sac, Sioux and Woodbury counties in Iowa.

The Organization is exempt from income tax under Section 501(c)3 of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

The Organization's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for nonprofit corporations.

DATE OF MANAGEMENT'S REVIEW – Management has evaluated subsequent events through October 22, 2020, the date which the financial statements were available to be issued.

FUND ACCOUNTING – The accounts of the Organization are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

General Fund – This fund accounts for all resources over which the Organization has discretionary control to use in carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws, except for amounts invested in land, buildings and equipment which may be accounted for in a separate fund.

The Organization's Board may designate portions of the Unrestricted Fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Organization maintains separate accounts for any designations within the Unrestricted Fund and segregates the designated and undesignated portions of the fund within the net assets section of the Statements of Financial Position.

Land, Building and Equipment Fund – This fund is used to accumulate the net investment in capital assets and to account for the unexpended resources

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the Organization.

BASIS OF ACCOUNTING – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are directly charged against the Unrestricted Fund balance and capitalized in the Land, Building and Equipment Fund.

BASIS OF PRESENTATION – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed stipulations. The donor restricted net assets account for all resources restricted by outside sources which can only be utilized in accordance with the purposes established by the sources of the funds. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

FUNCTIONAL EXPENSES – The Organization reports the direct costs of program services separately in the statement of functional expenses. Supporting services are all other general occupancy expenses including overhead.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

USE OF ESTIMATES – The Organization uses estimates in preparing these financial statements in conformity with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS – The Organization considers cash on hand, savings accounts and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2020 and 2019 are as follows:

	2020	2019
Cash on Hand	\$ 10,301	\$ 10,942
Petty Cash	365	365
Checking Accounts	99,033	62,068
Savings Accounts	1,532,140	802,958
	<u>\$ 1,641,839</u>	<u>\$ 876,333</u>

RECEIVABLES – Receivables are shown at the amount expected to be collected after determining the allowances for rate adjustments and for doubtful accounts based on an aging of all the individual patient balances.

CHARITY CARE – The Organization provides care to patients who meet certain criteria under its scholarship policy at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates. The adjustments are recorded as adjustments to patient service scholarship revenue at the time of the service.

THIRD-PARTY PAYOR ARRANGEMENTS – Plains Area Mental Health, Inc. accepts Medicare covered clients and receives payments based on rates established by them. The Organization accepts Medicaid covered clients, and the State of Iowa Medicaid program has a managed care payment system with established rates. The Organization also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations.

NET PATIENT SERVICES REVENUE – Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

BAD DEBTS & ALLOWANCE FOR RATE ADJUSTMENTS – The Organization uses the allowance method for recognition of bad debts. Under the allowance method, uncollectible accounts are charged against the allowance for doubtful accounts. The allowance for doubtful accounts and rate adjustments is \$426,100 and \$261,200 at June 30, 2020 and 2019, respectively.

PROPERTY AND EQUIPMENT – Property and equipment is stated at cost. Expenditures for additions and betterments in excess of \$1,000 are capitalized while expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 40 years. No interest costs were capitalized since there were no qualifying assets.

INVESTMENTS – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities. Unrealized gain (loss) on marketable securities not previously recognized were \$(1,638) and \$495 for the years ended June 30, 2020 and 2019, respectively.

COMPENSATED ABSENCES – Organization employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2020 and 2019, respectively. Total accumulated compensated absences are \$243,584 and \$179,210 for the years ended June 30, 2020 and 2019, respectively.

DONATED MATERIALS – Donated materials are recognized as contributions and valued at fair market value at receipt.

CONTRIBUTIONS – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

PROMISES TO GIVE – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

ADVERTISING AND RECRUITMENT – Advertising costs are expensed when incurred. Total advertising costs are \$95,978 and \$90,066 for the years ended June 30, 2020 and 2019, respectively.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – CONCENTRATION OF RISK:

The Organization maintains accounts at various local financial institutions. Balances in these accounts exceeded the amount covered by FDIC insurance policies at June 30, 2020 and 2019.

NOTE 3 – INVESTMENTS:

The Organization's investments, none of which are held for trading purposes, are comprised of marketable equity securities. The investments are recorded at fair value. The estimated fair value amount has been determined by the Organization using market valuation provided by the New York Stock Exchange market reports. The investment in equity securities was originally received from the demutualization of an insurance company by West Iowa Community Mental Health Center (WICMHC). Plains Area Mental Health, Inc. acquired WICMHC in fiscal year 2015. Cost of \$6,665 was recorded as fair value at the time of transfer from WICMHC to Plains Area Mental Health, Inc. during fiscal year ended June 30, 2018. Summary information about the investments at June 30, 2020 and 2019 are as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equity Securities	\$ 6,665	\$ 4,154	\$ 6,665	\$ 5,792

NOTE 4 – LONG-TERM DEBT:

Long-term debt consists of the following at June 30, 2020 and 2019:

	2020	2019
Note Payable dated January 15, 2018 for \$251,774 with an interest rate of 5.0%, is collateralized by real estate located in Le Mars, Iowa and a security agreement. Principal and interest are payable in 60 monthly installments of \$2,484 beginning on February 15, 2018 and then 72 monthly installments of \$2,435 beginning on February 15, 2023. After the first 60 payments, the interest rate will become variable based on the Index plus 2.50%.	\$ 207,642	\$ 226,580

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Note Payable dated July 10, 2018 for \$60,000 with an interest rate of 5.25%, is collateralized by real estate located in Le Mars, Iowa and a security agreement. Principal and interest are payable in 60 monthly installments of \$1,137.75 beginning on July 15, 2018.	37,820	49,036
Note Payable dated April 14, 2020 for \$1,182,200 with an interest rate of 1.0%, is for Paycheck Protection Program and is uncollateralized. Principal and interest are payable in 18 monthly installments of \$66,530.65 beginning on November 14, 2020.	1,182,200	-
Note Payable dated October 2, 2019 for \$38,625 with an interest rate of 0%, is for software start-up fees and is uncollateralized. Principal is payable in 60 monthly installments of \$644 beginning on January 31, 2020.	34,763	-
Note Payable dated April 28 2020 for \$75,000 with an interest rate of 0%, is for software and is uncollateralized. Principal payments are payable in 36 monthly installments of \$2,083 beginning on April 30, 2020.	68,750	-
	\$ 1,531,175	\$ 275,616
LESS – Current Portion	(586,453)	(30,253)
NET LONG-TERM DEBT	<u>\$ 944,722</u>	<u>\$ 245,363</u>

The following is a schedule, for each of the next five years and thereafter, of payments of debt service to be made concerning long term debt at June 30, 2020:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2021	\$ 586,453
2022	726,596
2023	61,619
2024	30,789
2025	28,125
Thereafter	<u>97,593</u>
TOTAL PRINCIPAL PAYMENTS	<u>\$ 1,531,175</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 – RENTAL INCOME:

The Organization has a written operating lease on office space with an unrelated party. This 10-year lease ends on November 1, 2027 with an option to renew for two additional 10-year terms.

The Organization has a written operating lease on office space with an unrelated party. This 5-year lease ends on May 31, 2023. The lease shall continue in effect from month-to-month thereafter unless either party gives notice of termination.

The Organization had rental income of \$49,083 and \$48,338 for the years ended June 30, 2020 and 2019, respectively.

The following is a schedule by years of future minimum rental income under the leases at June 30, 2020:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2021	\$ 48,000
2022	48,000
2023	46,000
2024	24,000
2025	24,000
Thereafter	56,000
TOTAL MINIMUM RENTAL INCOME	<u>\$ 246,000</u>

NOTE 6 – LEASES:

Equipment Leases – The Organization rents multiple copiers for the various offices under noncancelable operating leases. The Organization rents two postage machines for the Le Mars and Cherokee offices under noncancelable operating leases. The operating lease expense under noncancelable operating leases was \$31,900 and \$21,591 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments required under the equipment operating leases as of June 30, 2020 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2021	\$ 18,448
2022	18,448
2023	17,805
2024	210

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
Thereafter	-
TOTAL MINIMUM LEASE PAYMENTS	<u>\$ 54,910</u>

Real Estate Leases – The Organization rents space for the Cherokee, Ida Grove, Orange City, Storm Lake, Carroll, Jefferson, Denison, Lake City, Spirit Lake and Emmetsburg offices under noncancelable operating leases. The operating lease expense under noncancelable real estate leases was \$221,274 and \$183,684 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments required under the real estate operating leases as of June 30, 2020 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2021	\$ 140,672
2022	90,288
2023	81,600
2024	27,600
Thereafter	-
TOTAL MINIMUM LEASE PAYMENTS	<u>\$ 340,160</u>

The Organization has miscellaneous rents with terms of twelve months or less and may be renewed for additional short periods. These rents were \$680 and \$1,719 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 – ACCOUNTS PAYABLE – REGIONS:

The Organization operates a home for short-term services to de-escalate and stabilize mental health crises. Funding for the home is from the Regions. The Organization began charging for nightly stays during the fiscal year 2019. Amounts received are remitted to the Regions. The estimated balance due to the Regions at June 30, 2020 and 2019 is \$38,869 and \$117,686, respectively. This is net of any estimated insurance adjustments to fees charged.

NOTE 8 – PENSION PLAN:

The Organization started a 401(k) plan for all employees who have completed three months of service effective January 1, 2015. The Organization will match 100% of contributions up to 5% of the employee's wages. Employees are fully vested after six years of service.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Pension expense amounted to \$130,084 and \$127,259 for June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Organization reported payables to the 401(k) plan of \$7,700 and \$5,661, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS:

The Organization had \$14,630 and \$14,280 in expenses to an employee's family members for services during the years ended June 30, 2020 and 2019, respectively. Related party payables consisted of \$1,330 and \$1,330 at June 30, 2020 and 2019, respectively.

NOTE 10 – 28E AGREEMENT:

The Organization entered a provider and program participation agreement with Rolling Hills Community Services Region on July 16, 2014 under Chapter 28E of the Iowa Code. A supplemental agreement was signed in December 2015 stating all real property, improvements and furnishings were owned by Rolling Hills. The initial duration of this supplemental agreement is from July 1, 2015 through June 30, 2018. The agreement was renewed through June 30, 2021. It will automatically renew on a year-to-year basis. The agreement will be reviewed every three years. However, either party may terminate this agreement without cause upon ninety days' written notice to the other party.

NOTE 11 – RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 12 – LIQUIDITY:

The Organization's working capital and cash flows vary throughout the year based on timing of services provided and collection of revenues. Cash on hand is typically enough to manage daily operations. Additionally, the Organization has access to a line of credit for additional liquidity.

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by the amounts not available for general use within one year of the statement date because of donor imposed restrictions or internal designations.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End	\$ 2,731,072	\$ 1,731,278
Less Those Unavailable for General Expenditures Within One Year Due to: Donor Restriction	<u>-</u>	<u>-</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,731,072</u>	<u>\$ 1,731,278</u>

NOTE 13 – PAYCHECK PROTECTION PROGRAM (PPP) NOTE PAYABLE:

In April 2020, the Organization applied for the Paycheck Protection Program (PPP) and received \$1,182,200. The program is in response to Covid-19 as provided by the Federal Government's CARES Act. This legislation was designed to support payroll expenses for an eight-week period. The note payable is uncollateralized and fully backed by the SBA, with funds coming from local institutions. The Organization has elected to account for the PPP loan as a financial liability in accordance with FASB ASC 470. If spending criteria is met, the entire loan amount is eligible for forgiveness. Plains Area Mental Health, Inc. has met all necessary program requirements, as such, the entire amount is expected to be forgiven and recorded as contribution revenue when the forgiveness application is approved. The forgiveness application was submitted in October 2020 with Primebank. In the current fiscal year, the two-year loan is included as long-term debt. See note 4 above.

NOTE 14 – OUTSTANDING COMMITMENTS:

The Organization signed a Letter of Intent with Credible, a new electronic health record program, which was contracted to go live March 16, 2020. Contract fees for software beginning March 16, 2020 are estimated at \$143,100 per year. This contract is for seven years with an annual 2.5% increase in fees beginning July 1, 2022. According to the contract, Credible is also providing billing services for approximately \$102,000 per year.

NOTE 15 – SUBSEQUENT EVENTS:

The Organization received funds of \$265,195 in September 2020 from the CARES Act legislation. The funds must be used for Covid related items. Purchases must be made between March and December 2020. Covid related expenses totaling \$187,295 have been identified through early October 2020. The Organization anticipates using all of the funds appropriately.

The Organization is exploring plans to lease space at a location in Lyon County.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULES OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
COUNTY FUNDING BY REGION:		
Sioux Rivers Region	\$ 347,850	\$ 317,386
Rolling Hills Region	1,464,066	1,109,561
TOTAL COUNTY FUNDING BY REGION	<u>\$ 1,811,916</u>	<u>\$ 1,426,947</u>
GRANTS:		
Federal:		
Community Mental Health Block Grant	\$ 97,635	\$ 111,133
Certified Community Behavioral Health Clinic	52,914	-
Head Start and Early Head Start Program	7,621	7,788
State:		
School Based Mental Health Program	20,000	20,000
Community Link Mentoring Program	16,500	15,052
Local:		
Storm Lake Community School	45,000	45,000
Storm Lake Community Chest	500	535
Telehealth	-	425
Plymouth County Grant Match	2,000	-
LeMars United Way	17,000	17,000
United Way Focus Grant	20,000	-
TOTAL GRANTS	<u>\$ 279,170</u>	<u>\$ 216,933</u>
TOTAL FEES AND GRANTS FROM GOVERNMENTAL AGENCIES	<u>\$ 2,091,086</u>	<u>\$ 1,643,880</u>

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Plains Area Mental Health, Inc.

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Plains Area Mental Health, Inc., Le Mars, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items B and C to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health, Inc.'s Responses to the Findings

Plains Area Mental Health, Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Plains Area Mental Health, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

Cherokee, Iowa
October 22, 2020

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
JUNE 30, 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

A. SEGREGATION OF DUTIES –

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Organization's financial statements.

Condition – Generally, the CFO of the Organization has control over all record-keeping and reconciling functions.

Cause – The Organization has a limited number of employees to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Organization's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The Organization should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – With the limited number of staff, the Center has segregated duties to the best of its ability. The Finance Committee does review check registers and bank balances at the regular scheduled Board Meetings.

Conclusion - Response accepted.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
JUNE 30, 2020

B. FIXED ASSETS –

Criteria – The software module and the installment agreement were not appropriately capitalized at year-end.

Condition – The software module was not in service at June 30, 2020, so it was not recorded.

Cause – The accounting staff enters fixed asset information only from invoices received.

Effect – An offsetting balance sheet error resulted from not recording this. Assets and liabilities were both under reported at year-end. Net income effect was zero as no depreciation expense was calculated. The assets were not placed in service in fiscal year 2020.

Recommendation - The Organization should review contracts and agreements for all items that should be recorded. The Organization should accumulate assets not in service in a separate account for tracking purposes.

Response - A new account will be added to the General Ledger to account for items purchased but not in service.

Conclusion - Response accepted.

C. FIXED ASSETS –

Criteria – Computer purchases were not appropriately capitalized at year-end.

Condition – Vendor was late on billing and IT staff had not communicated purchases or purchase order to accounting staff. Grant funds were to be used for these purchases.

Cause – The accounting staff enters fixed asset information only from invoices received.

Effect – An offsetting balance sheet error resulted from not recording this. Assets and liabilities were both under reported at year-end. Net income effect was zero as no depreciation expense was calculated. The assets were not placed in service in fiscal year 2020.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
JUNE 30, 2020

Recommendation - The Organization should review with IT any recent or outstanding purchases at year-end to ensure that all purchases are properly recorded, regardless of invoicing status. Purchases made with grant funds need to be approved and documented prior to purchase.

Response - A procedure is being put in place to account for pre-payment for equipment and then tracking when received. CEO does sign off on all quotes prior to payment. Accounting department will make sure all signed quotes are part of the invoice.

Conclusion - Response accepted.

OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

No matters were reported.